

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 AF-10 ARA-16 NEA-14 RSC-01

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-03

H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

AID-20 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 SP-03 OMB-01 SWF-02 FEA-02 DRC-01 /248 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7432

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

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LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 6894

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC SUGAR POLICY

REF: (A) EC BRUSSELS 5239; (B) EC A-254; (C) EC A-290;
(D) EC A-274; (E) EC A-182; (F) CANBERRA 5882; (G) EC BRUSSELS
5757; (H) LONDON 11365.

1. BEGIN SUMMARY: THE EC COUNCIL (OF AGRICULTURAL MINISTERS)

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IS EXPECTED TO DISCUSS THE COMMUNITY'S FUTURE SUGAR POLICY

DURING ITS MEETING BEGINNING SEPTEMBER 17. THIS DISCUSSION WILL TAKE PLACE IN A MARKET SITUATION CHARACTERIZED BY HIGH WORLD PRICES, REGIONAL SUPPLY SHORTAGES IN THE EC, CONCERNS OVER THE AVAILABILITY OF FUTURE SUPPLIES, AND PRODUCER PRESSURES FOR LARGER PRODUCTION QUOTAS AND HIGHER PRICES. THE U.K. MAY INJECT INTO THE COUNCIL DISCUSSION THE QUESTION OF AN ACCESS COMMITMENT TO BE OFFERED THE ACP COUNTRIES. ALSO, U.K. EFFORTS TO OBTAIN SUGAR FROM AUSTRALIA, POSSIBLY IN CONTRAVENTION OF EC RULES, COULD BE RAISED. END SUMMARY.

2. COMMISSION OFFICIALS HAVE INFORMED US THAT THE COMMUNITY'S INTERNAL SUGAR POLICY WILL BE AN AGENDA ITEM OF THE COUNCIL OF AGRICULTURAL MINISTERS MEETING SCHEDULED TO BEGIN ON SEPTEMBER 17. THIS DISCUSSION PROMISES TO BE LIVELY, TO SAY THE LEAST, IN VIEW OF THE CURRENT TIGHT WORLD SUPPLY SITUATION, REGIONAL SUGAR SHORTAGES IN THE COMMUNITY, PARTICULARLY IN THE UK, UK EFFORTS TO OBTAIN SUPPLY AND ACCESS COMMITMENTS FOR COMMON-WEALTH SUGAR, AND EFFORTS BY BEET AND SUGAR PRODUCERS TO OBTAIN HIGHER PRICES AND ENLARGED PRODUCTION QUOTAS.

3. THE BASIS FOR THE COUNCIL DISCUSSION WILL BE THE COMMISSION DOCUMENT SUBMITTED TO THE COUNCIL ON JULY 9 (REFS. A AND B) SETTING FORTH PROPOSED GUIDELINES FOR THE COMMUNITY'S INTERNAL SUGAR POLICY BEGINNING WITH THE 1975/76 SEASON. THE PRESENT SUGAR POLICY IS VALID ONLY THROUGH 1974/75. IN THE JULY 9 DOCUMENT, THE COMMISSION MADE MAJOR REVISIONS IN ITS PROPOSED GUIDELINES OF JULY 1973, (REF. C) AND SUPPORTED AN INCREASE IN PRODUCTION QUOTAS AND A CONTINUATION OF PRODUCTION IN EXCESS OF QUOTAS (SO-CALLED CATEGORY "C" SUGAR). THE COMMISSION PROPOSED BASE QUOTAS TOTALING 8.54 MILLION MT (COMPARED TO 7.82 MILLION MT AT PRESENT), AND "MAXIMUM" QUOTAS EQUAL TO 125 PERCENT OF THE BASE QUOTAS. "MAXIMUM" QUOTA SUGAR PRODUCTION IS PRODUCTION IN EXCESS OF BASE QUOTAS BY A SPECIFIED PERCENTAGE. IT RECEIVES SUPPORT BUT IS SUBJECT TO A PRODUCTION LEVY. THE COMMISSION PROBABLY IS VERY HESITANT TO PROPOSE A LARGER INCREASE IN QUOTAS BECAUSE OF THE FEAR OF MASSIVE INTERVENTION PURCHASES THAT MAY BE NECESSARY IN A FEW YEARS' TIME.

4. THE COMMUNITY'S PRESENT SUGAR CAP WAS ESTABLISHED AT A TIME LIMITED OFFICIAL USE

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OF WORLD SURPLUSES AND LOW WORLD MARKET PRICES. ACCORDING TO COMMUNITY SOURCES, THAT SITUATION HAS NOW BEEN DRAMATICALLY REVERSED, WITH WORLD PRODUCTION FAILING TO KEEP PACE WITH A RAPID RISE IN CONSUMPTION. WORLD MARKET PRICES ARE NOW MORE THAN TRIPLE THOSE OF A YEAR EARLIER. THIS TURNABOUT IN THE WORLD SUGAR SITUATION HAS, OF COURSE, STRENGTHENED THE HANDS OF SUGAR INTERESTS WHO ARE PRESSING FOR A SIGNIFICANT INCREASE OF PRODUCTION QUOTAS AND SUPPORT PRICES.

5. FRENCH SUGAR INTERESTS IN THE COMMUNITY HAVE RECENTLY
ADVISED
CONSUMERS TO STOCK SUGAR, WARNING THAT SHORTAGES

IN THE COMING YEAR. SUCH STATEMENTS REPORTED HAVE BEEN LABELED
SCARE TACTICS BY SOME COMMUNITY OFFIC
CONSIDER THAT THE
COMMUNITY CAN SUPPLY ITS OWN NEEDS. HOWEVER, THERE IS NO DOUBT
CONCERN BY EC OFFIC
IF THE SUPPLY SITUATION IN THE COMMUNITY,
PARTICULARLY VIEW OF REGIONAL SHORTAGES SUCH AS THOSE IN THE UK.
THIS CONCERN IS IMPLICITLY SHOWN IN THE COMMUNITY ACTIONS
EXPORT LEVIES ON 80 PERCENT OF CATEGORY "C"
SUGAR PRODUCED IN
1974/75 AND TO PROVIDE THAT THIS QAR WILL BE DISPOSED OF ON
THE DOMESTIC MARKET (REF.)

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6. IN 1973/74, A SERIES OF EVENTS CONVERGED WHICH RESULTED IN THE REGIONAL SHORTAGES AND WHICH THREATEN THE COMMUNITY'S POLICY OF KEEPING PRICES BETWEEN THE INTERVENTION AND THRESHOLD LEVELS WHICH ARE WELL BELOW PRESENT WORLD MARKET PRICES. PRODUCTION OF WHITE SUGAR MAY HAVE FALLEN SEVERAL HUNDRED THOUSAND TONS SHORT OF THE 10 MILLION MT FORECAST BY THE COMMISSION AT THE BEGINNING OF THE SEASON. PRODUCTION IN EXCESS OF QUOTAS WAS NOT SUBJECT TO EXPORT CONTROLS AND THEREFORE WAS EXPORTED AT PRICES HIGHER THAN THOSE PREVAILING IN THE COMMUNITY. IN ADDITION, IMPORTS INTO THE UK UNDER THE COMMONWEALTH SUGAR AGREEMENT REPORTEDLY LIMITED OFFICIAL USE

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ARE FALLING FAR SHORT OF THE TARGET LEVEL OF 1.7 MILLION MT. FURTHERMORE, CONSUMPTION WHICH WAS EARLIER THOUGHT TO BE 9.6 MILLION MT APPARENTLY MULL BE CLOSER TO OR EVEN EXCEED 10 MILLION MT. THE RESULT HAS BEEN AN APPARENT FAILURE OF THE LARGE SUGAR-PRODUCING MEMBER STATES TO FILL THE GAP IBLC

SUGAR SUPPLIES WHICH WAS BROUGHT ABOUT BY A DECREASE IN UK PRODUCTION AND THE SHORTFALL IN COMMONWEALTH SUPPLIES. OF ADDITIONAL CONCERN ARE VERY PRELIMINARY REPORTS THAT EC SUGAR PRODUCTION IN 1974/75 WILL FALL BELOW THE 1973/74 LEVEL, AND A POSSIBLE SUSPENSION OF THE US SUGAR QUOTAS WHICH COULD AFFECT THE WILLINGNESS OF COMMONWEALTH PRODUCERS TO SUPPLY THE UK WITH SUGAR.

7. THE SHORTAGES WHICH HAVE OCCURRED IN THE UK HAVE RE-EMPHASIZED TO UK OFFICIALS THE IMPORTANCE OF IMPORT COMMITMENTS. CONSEQUENTLY, THAT COUNTRY CAN BE EXPECTED TO PRESS HARD FOR A FORMAL COMMITMENT FROM THE COUNCIL TO IMPORT 1.4 MILLION MT FROM THE ACP COUNTRIES. THE COMMUNITY SO FAR HAS ONLY GIVEN RECOGNITION TO A UNILATERAL UK COMMITMENT TO IMPORT 1.4 MILLION AS ONE OF THE FACTORS WHICH MUST BE TAKEN INTO ACCOUNT IN NEGOTIATIONS WITH THE ACP COUNTRIES. MOST MEMBER STATES SEEM TO PREFER POSTPONING A DECISION ON EC IMPORT COMMITMENTS UNTIL AFTER THE COUNCIL HAS REACHED A DECISION ON THE INTERNAL SUGAR POLICY.

8. MEANWHILE, THE UK, GREATLY CONCERNED OVER THE POLITICAL RAMIFICATIONS OF THE SUGAR SHORTAGES AND, AT LEAST PUBLICLY, DOUBTFUL WHETHER THE COMMUNITY CAN SUPPLY SUFFICIENT SUGAR TO COVER ITS NEEDS, HAS MOVED UNILATERALLY TO OBTAIN COMMITMENTS OF SUPPLY

FROM NON-MEMBER COUNTRIES. THE MOST NOTABLE EXAMPLE IS THE UK APPROACHING AUSTRALIA FOR SUGAR. IT MAY BE RECALLED THAT WHEN UK AGRICULTURAL MINISTER PEART PRESENTED HIS PROPOSAL TO THE COUNCIL IN JUNE FOR CHANGING THE CAP (REF. E), HE STATED THAT THE COMMUNITY WILL NEED FOR SOME YEARS AN ASSURED SUPPLY OF AUSTRALIAN CANE SUGAR TO MAINTAIN A REASONABLE BALANCE BETWEEN SUPPLY AND DEMAND. ACCORDING TO SOME PRESS REPORTS, THE UK IS NOW NEGOTIATING WITH AUSTRALIA ON 200,000 MT OF SUGAR FOR DELIVERY LATE THIS YEAR AND A SUPPLY COMMITMENT FOR SEVERAL YEARS' DURATION. UK OFFICIALS IN BRUSSEL PLEAD THAT THEY DO NOT HAVE MUCH INFORMATION ON THE UK-AUSTRALIAN NEGOTIATIONS. HOWEVER, LIMITED OFFICIAL USE

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THEY DO CONFIRM THAT NEGOTIATIONS HAVE BEGUN.

9. A BILATERAL AGREEMENT BETWEEN THE UK AND AUSTRALIA WOULD RUN COUNTER TO CAP RULES IF IT PROVIDES FOR IMPORTS UNDER SPECIAL TERMS (EXEMPTION FROM IMPORT LEVIES, ETC.). MOREOVER, APART FROM INCONSISTENCY WITH THE CAP, SUCH A BILATERAL AGREEMENT-- DEPENDING ON ITS TERMS -- MIGHT BE SEEN AS CONTRARY TO THE EC PROHIBITION ON NEW TRADE AGREEMENTS BETWEEN INDIVIDUAL MEMBER STATES AND THIRD COUNTRIES, UNLESS IT WERE GIVEN SPECIFIC APPROVAL BY THE COUNCIL. UK OFFICIALS HERE STATE THAT THEY THINK THE UK WILL CONCLUDE AN AGREEMENT WITH AUSTRALIA REGARDLESS OF WHETHER COUNCIL APPROVAL IS FORTHCOMING. IN ANY EVENT, THE UK'S MOVES TO OBTAIN SUGAR WILL ALMOST CERTAINLY COME UP FOR DISCUSSION IF THE COUNCIL CONSIDERS SUGAR AT ITS SEPTEMBER 17 MEETING. GREENWALD

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